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**Red River Revel Arts Festival**

**Financial Statements  
December 31, 2006 and 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-9-07

**Red River Revel Arts Festival  
December 31, 2006 and 2005**

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# Red River Revel Arts Festival

## Statements of Financial Position December 31, 2006 and 2005

<b>Assets</b>			
		<u>2006</u>	<u>2005</u>
<b>Current assets</b>			
Cash and cash equivalents	\$	29,347	\$ 16,576
Unrestricted contributions receivable		85,609	48,863
<b>Total current assets</b>		<u>114,956</u>	<u>65,429</u>
<b>Property and equipment - net</b>		9,210	18,644
<b>Restricted cash</b>		879	754
<b>Total assets</b>	\$	<u><u>125,045</u></u>	\$ <u><u>84,827</u></u>

## Liabilities and Net Assets (Deficit)

<b>Current liabilities</b>			
Accounts payable	\$	129,530	\$ 96,895
Note payable - line of credit		70,000	-
Other accrued liabilities		17,562	4,597
<b>Total current liabilities</b>		<u>217,092</u>	<u>101,492</u>
<b>Net assets (deficit)</b>			
Unrestricted		(92,926)	( 17,419)
Temporarily restricted		-	-
Permanently restricted		879	754
<b>Total net assets (deficit)</b>		<u>( 92,047)</u>	<u>( 16,665)</u>
<b>Total liabilities and net assets (deficit)</b>	\$	<u><u>125,045</u></u>	\$ <u><u>84,827</u></u>

The accompanying notes are an integral part of these financial statements.

# Red River Revel Arts Festival

## Statement of Activities for the Year Ended December 31, 2006

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Sponsor contributions	\$ 127,216	\$ -	\$ -	\$ 127,216
Underwriter contributions	229,265	-	-	229,265
Individual contributions	12,550	-	125	12,675
Corporate contributions	27,300	-	-	27,300
In-kind services - public	171,458	-	-	171,458
In-kind services - private	544,394	-	-	544,394
Government and foundation grants	136,992	-	-	136,992
Other support	9,550	-	-	9,550
Total public support	1,258,725	-	125	1,258,850
<b>Operating revenue</b>				
Concessions	670,631	-	-	670,631
Admissions	296,030	-	-	296,030
Poster and souvenir sales	20,827	-	-	20,827
Booth fees	284,897	-	-	284,897
Other operating revenue	111,351	-	-	111,351
Total operating revenue	1,383,736	-	-	1,383,736
<b>Other revenue</b>				
Interest	158	-	-	158
Other	250	-	-	250
Total other revenue	408	-	-	408
<b>Total revenue</b>	<b>2,642,869</b>	<b>-</b>	<b>125</b>	<b>2,642,994</b>
<b>Expenses</b>				
<b>Program services</b>				
Red River Revel Arts Festival	2,053,416	-	-	2,053,416
ICE - A Red River Holiday Event	330,716	-	-	330,716
Total program services	2,384,132	-	-	2,384,132
<b>Supporting services</b>				
Management and general	138,838	-	-	138,838
Fundraising	195,406	-	-	195,406
Total supporting services	334,244	-	-	334,244
<b>Total expenses</b>	<b>2,718,376</b>	<b>-</b>	<b>-</b>	<b>2,718,376</b>
Increase (decrease) in net assets	( 75,507)	-	125	( 75,382)
Net assets (deficit), beginning of year	( 17,419)	-	754	( 16,665)
Net assets (deficit), end of year	\$ ( 92,926)	\$ -	\$ 879	\$ ( 92,047)

The accompanying notes are an integral part of these financial statements.

# Red River Revel Arts Festival

## Statement of Activities for the Year Ended December 31, 2005

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Sponsor contributions	\$ 40,000	\$ -	\$ -	\$ 40,000
Underwriter contributions	191,250	-	-	191,250
Individual contributions	6,925	-	-	6,925
Corporate contributions	24,000	-	-	24,000
In-kind services - public	97,883	-	-	97,883
In-kind services - private	233,144	-	-	233,144
Government and foundation grants	157,261	-	-	157,261
Other support	-	-	500	500
Total public support	750,463	-	500	750,963
<b>Operating revenue</b>				
Concessions	547,040	-	-	547,040
Admissions	203,048	-	-	203,048
Poster and souvenir sales	38,022	-	-	38,022
Booth fees	101,312	-	-	101,312
Other operating revenue	109,660	-	-	109,660
Total operating revenue	999,082	-	-	999,082
<b>Other revenue</b>				
Interest	13	-	-	13
Other	6,881	-	-	6,881
Total other revenue	6,894	-	-	6,894
<b>Total revenue</b>	<b>1,756,439</b>	<b>-</b>	<b>500</b>	<b>1,756,939</b>
<b>Expenses</b>				
Program services				
Red River Revel Arts Festival	1,646,754	-	-	1,646,754
ICE - A Red River Holiday Event	-	-	-	-
Total program services	1,646,754	-	-	1,646,754
Supporting services				
Management and general	88,129	-	-	88,129
Fundraising	-	-	-	-
Total supporting services	88,129	-	-	88,129
<b>Total expenses</b>	<b>1,734,883</b>	<b>-</b>	<b>-</b>	<b>1,734,883</b>
<b>Increase (decrease) in net assets</b>	<b>21,556</b>	<b>-</b>	<b>500</b>	<b>22,056</b>
<b>Net assets (deficit), beginning of year</b>	<b>( 38,975)</b>	<b>-</b>	<b>1,254</b>	<b>( 37,721)</b>
<b>Transfer to Community Foundation</b>			<b>( 1,000)</b>	<b>( 1,000)</b>
<b>Net assets (deficit), end of year</b>	<b>\$ ( 17,419)</b>	<b>\$ -</b>	<b>\$ 754</b>	<b>\$ ( 16,665)</b>

The accompanying notes are an integral part of these financial statements.

# Red River Revel Arts Festival

## Statements of Cash Flows for the Years Ended December 31, 2006 and 2005

Increase (decrease) in cash and cash equivalents

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ ( 75,382)	\$ 21,056
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	9,434	10,356
Change in assets and liabilities		
Decrease (increase) in		
Unrestricted contributions receivable	( 36,756)	( 16,755)
Restricted cash	( 125)	500
Increase (decrease) in		
Accounts payable	32,635	( 12,860)
Other accrued liabilities	12,965	( 1,113)
Net cash provided by (used in) operating activities	<u>( 57,229)</u>	<u>1,184</u>
Cash flows from financing activities		
Note payable - line of credit	<u>70,000</u>	<u>-</u>
Net cash provided by investing activities	<u>70,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	12,771	1,184
Cash and cash equivalents - beginning of year	<u>16,576</u>	<u>15,392</u>
Cash and cash equivalents - end of year	<u>\$ 29,347</u>	<u>\$ 16,576</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 413</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**Red River Revel Arts Festival  
Notes to Financial Statements  
December 31, 2006 and 2005**

**Note 1 Organization and Significant Accounting Policies**

The Red River Revel Arts Festival ("the Revel") is a not-for-profit corporation under the laws of the State of Louisiana. The Revel was established to promote awareness of the Arts to the general public. Support and sponsorships are provided each year for the Revel's events in the form of in-kind services, various government and foundation grants, and corporate and individual contributions. The Revel is comprised of the following two programs:

**Red River Revel Arts Festival**

This event was originated under the sponsorship of The Junior League of Shreveport-Bossier, Inc. ("The Junior League"). Each year since 1976, this eight-day arts festival has united people throughout the area to enjoy a celebration of visual and performing arts. The outdoor festival attracts more than 200,000 people and is ordinarily held the first full week of October. Numerous volunteers donate their time and efforts to help manage the festival's activities. The Red River Revel Arts Festival celebrates the arts with more than 130 visual artists from across the country, five performance stages that feature live music and a large area dedicated specifically to providing arts education for children.

**ICE: A Red River Holiday Event**

In 2006, a cooperative effort was formed between the City of Shreveport, Downtown Development Authority, Shreveport Convention & Tourist Bureau and the Revel to host a 50-day winter festival and market. The primary anchor for the event was an ice skating rink surrounded by local performing artists during four consecutive weekends. The goal of the event was to provide an unusual and welcoming experience that will attract visitors to the Downtown Riverfront in Shreveport. Grants were provided through the Louisiana Department of Culture, Recreation and Tourism and the Community Foundation of Shreveport-Bossier to support this event.

**Significant Accounting Policies**

A summary of the Revel's significant accounting policies is as follows:

**Financial Statement Presentation** - The Revel has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Revel is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Revel, and changes therein, may be classified and reported as follows, as financial circumstances require:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Revel and/or the passage of time.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Revel. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

There were no significant temporarily or permanently restricted net assets at December 31, 2006 and 2005, other than as disclosed in Note 8.

**Cash and Cash Equivalents** - The Revel considers all highly liquid debt instruments with a remaining maturity at date of purchase of three months or less to be cash equivalents. The demand deposit balances, as reflected

in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2006 and 2005, the Revel did not have any cash balances in excess of FDIC insurance limits.

**Contributions** - The Revel also has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

**Promises to Give** - Contributions are recognized when the donor makes a promise to give to the Revel that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Revel uses the allowance method to determine uncollectible unconditional promises receivable, if material. The allowance is based on prior years' experience and management's judgment. Receivables deemed uncollectible are charged off against the allowance when management believes the uncollectibility is confirmed. At December 31, 2006 and 2005, there were no amounts reserved in the allowance for doubtful accounts.

**Property and Equipment** - Assets purchased are recorded at cost and depreciated using the straight-line method over the assets estimated useful life. Donated assets are recorded at their estimated fair value at the date of donation and are depreciated using the same method as assets purchased. Assets purchased with an initial cost of less than \$1,000 are generally expensed in the period of acquisition.

**Public Support** - All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

Donated materials, equipment, and labor provided by the City of Shreveport, AmSouth Bank, CenturyTel (now AllTel), and PepsiAmericas, as well as various other contributors, are recorded as contributions of in-kind services in the financial statements at their estimated values at the date of receipt. The value of approximately 120,000 hours annually in services by members of The Junior League and other volunteers in planning, promoting, and staging the Revel are not included in the financial statements. In 2006 and 2005, the Revel recorded in-kind contributions and services of \$715,852 and \$331,027, respectively.

CORK is a fundraising event that was held for the first time in May 2006. The gross revenue generated from the event was approximately \$140,000. This revenue included sponsor contributions, admission fees, wine sales and raffle ticket sales.

**Federal Income Tax** - The Revel is exempt from federal income taxation by nature of its organization under Section 501(c)(3) of the Internal Revenue Code. The Revel files federal Form 990 in accordance with Internal Revenue Service regulations.

**Retirement Plan** - Revel employees participate in a defined contribution retirement plan. There were \$4,671 and \$8,451 in employer contributions to the retirement plan in 2006 and 2005, respectively.

**Estimates** - The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Note 2 Reclassifications**

Certain balances and amounts presented in the 2005 financial statements have been reclassified to conform to the 2006 presentation. These reclassifications have no effect on the change in net assets.



**Note 3 Functional Expenses and Expenses by Natural Classification**

A schedule of functional expenses and expenses by natural classifications for the years ended December 31, 2006 and 2005 is as follows:

	Red River Arts Festival	ICE	Supporting Services	Totals	
				2006	2005
Salaries and benefits	\$ 177,700	\$ 36,402	\$ 16,789	\$ 230,891	\$ 187,486
Site operations	471,650	176,893	85,121	733,664	379,007
Commissions and other operating expenses	516,582	93,909	52,300	662,791	473,466
Music and performing arts	334,407	-	1,000	335,407	281,291
Programs	67,034	-	-	67,034	64,988
Advertising and promotion	476,609	18,762	35,525	527,896	251,179
Depreciation	9,434	-	-	9,434	10,356
Insurance	-	4,750	48,673	53,423	38,057
Accounting and legal	-	-	20,829	20,829	5,571
Supplies	-	-	28,973	28,973	13,957
Telephone	-	-	7,425	7,425	5,588
Bad Debt	-	-	6,125	6,125	-
Dues and subscriptions	-	-	7,123	7,123	4,461
Janitorial services	-	-	6,237	6,237	3,932
Other administrative costs	-	-	21,124	21,124	15,544
Total expenses	\$ 2,053,416	\$ 330,716	\$ 334,244	\$ 2,718,376	\$ 1,734,883

**Note 4 Contributions Receivable**

Contributions receivable of \$85,610 and \$48,853 at December 31, 2006 and 2005, respectively, are classified as unrestricted and are considered to be fully collectible within one year. Accordingly, no allowance for uncollectible promises to give has been recognized at December 31, 2006 or 2005.

**Note 5 Property and Equipment**

Property and equipment purchased by the Revel in excess of \$1,000 are capitalized. Property and equipment are stated at cost, or if donated, at the estimated fair value at the time of donation. Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets. A summary of property and equipment at December 31, 2006 and 2005 is as follows:

	Useful Life	2006	2005
Structures	3-15 years	\$ 95,238	\$ 95,238
Tents	5 years	4,280	4,280
Trailers	10 years	5,253	5,253
Other equipment	3-7 years	232,835	232,835
		337,606	337,606
Less accumulated depreciation		( 328,396 )	( 318,962 )
Carrying value of property and equipment		\$ 9,210	\$ 18,644

For 2006 and 2005, the Revel's depreciation expense was \$9,434 and \$10,356, respectively.

**Note 6 Net Assets**

The Board of Directors of the Revel has designated a portion of unrestricted net assets for emergency contingencies. The amount so designated is established pursuant to a clause in the Revel policy guidelines, which specifies that an emergency contingency amount equal to the estimated operating expenses of the next Revel be maintained, if possible. This amount has generally been set at \$300,000 and was increased to \$450,000 in 1995. Reductions in the designated amount are approved by the Revel's Governing Board through

the budget process and are limited to funding future festivals, developing art in the community, or making capital improvements. At December 31, 2004, because of significant operating losses during the five preceding years, designated net assets was reduced to \$0. At December 31, 2006 and 2005, designated net assets remained \$0.

**Note 7 Rent Expense**

In May 2002, the Revel moved to the old Illinois Central Train Depot located in the City of Shreveport's Festival Plaza. In lieu of paying rent for this facility, the Revel provides management services for the Festival Plaza, Farmers Market, and the Red River Revel Arts Festival; therefore, there was no rent expense in 2006 or 2005.

**Note 8 Temporarily and Permanently Restricted Net Assets**

The Revel established an endowment fund in late 1995, the income of which was restricted to reducing deficits or funding emergency needs of Revel operations. Contributions to the endowment fund began in 1996. In February 1996, the Revel transferred control of most of this endowment fund to the Community Foundation of Shreveport Bossier (the "Community Foundation") but retained a portion of the fund on its books. Under the terms of the agreement with the Community Foundation, net investment income of the endowment fund may be accumulated, or paid to the Revel, as the two parties see fit; however, such income may not be accumulated indefinitely. Prior to 1999, all net earnings of the fund had been accumulated. The Community Foundation has variance power over the transferred assets such that the governing board of the Community Foundation may, with 30 days notice to the Revel, vary the purposes, uses, or methods of administration of the transferred assets.

A summary of the activity on the endowment fund follows:

	Endowment	
	Red River Revel	Community Foundation
Balance at December 31, 2004	\$ 1,254	\$ 204,936
Contributions	500	1,000
Transfers to Foundation	( 1,000 )	-
Interest and dividends	-	3,699
Realized and unrealized gain	-	13,243
Distributions to Revel	-	( 7,723 )
Fees	-	( 1,536 )
Balance at December 31, 2005	\$ 754	\$ 213,619
Contributions	125	1,400
Transfers to Foundation	( )	-
Interest and dividends	-	4,468
Realized and unrealized gain	-	23,820
Distributions to Revel	-	( 8,561 )
Fees	-	( 1,736 )
Balance at December 31, 2006	\$ 879	\$ 233,010

**Note 9 Note Payable**

Under the terms of a revolving credit agreement with AmSouth Bank, dated December 13, 2004, the Organization may borrow up to \$100,000 at 0.25% above the bank's prime interest rate through December 13, 2007. Funds from these borrowings are to be used to produce the Red River Revel Arts Festival. The balances at December 31, 2006 and 2005 were \$70,000 and \$0, respectively. Interest expense for the year ended December 31, 2006 and 2005, was \$413 and \$0, respectively.

**Note 10 Advertising**

For 2006 and 2005, the Revel recorded advertising costs of \$627,896 and \$251,179, respectively. Included in these amounts were in-kind contributions received from various donors and recorded at fair value. For 2006 and 2005, the total in-kind contributions related to advertising were \$365,843 and \$152,006, respectively.

**Note 11 Uncertainties Related to a Going Concern**

The accompanying financial statements have been prepared in conformity with accounting principles, generally accepted in the United States of America, which contemplate continuation of the organization as a going concern. As shown in the financial statements, the entity incurred a deficit of \$92,047 for 2006. Even though the Revel showed an increase in net assets in 2005, the Revel has sustained substantial decreases in net assets in recent years. These decreases in net assets resulted in a deficit of net assets. At December 31, 2006, current liabilities exceeded current assets by \$102,136 and total liabilities exceeded total assets by \$92,047. Currently, the revolving line of credit that was being used for working capital has been substantially depleted. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the entity cannot continue in existence.

The Revel's operating losses have been due to decreased revenue from the past six of seven Revel's that have had rain on the key weekends. However, management anticipates growth in both fundraised monies and community support in 2007. The Revel plans to host the second annual fundraising event (CORK) in May 2007. This fundraiser is expected to be very successful due to the addition of a preview party and an increased awareness of the event. Additionally the Revel anticipates a more successful second year of ICE - A Red River Holiday Event. Increased community awareness and the discontinuance of a management company for ICE will result in financial improvement. The funds raised from both of these events are expected to help offset any operating deficits.

**ROBERTS, CHERRY & COMPANY**  
*Certified Public Accountants, Consultants*

**Independent Auditor's Report**

The Governing Board  
Red River Revel Arts Festival

We have audited the accompanying statements of financial position of Red River Revel Arts Festival as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red River Revel Arts Festival as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2007, on our consideration of the Red River Revel Arts Festival's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*ROBERTS, CHERRY AND COMPANY*

**ROBERTS, CHERRY AND COMPANY**

A Corporation of  
Certified Public Accountants  
Shreveport, Louisiana  
April 19, 2007

**ROBERTS, CHERRY & COMPANY**  
*Certified Public Accountants, Consultants*

**Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed  
In Accordance With Government Auditing Standards**

The Governing Board  
Red River Revel Arts Festival

We have audited the financial statements of Red River Revel Arts Festival as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 19, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Red River Revel Arts Festival's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Red River Revel Arts Festival's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Red River Revel Arts Festival, its management, the State of Louisiana Legislative Auditor, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*ROBERTS, CHERRY AND COMPANY*

**ROBERTS, CHERRY AND COMPANY**

A Corporation of  
Certified Public Accountants  
Shreveport, Louisiana  
April 19, 2007